

2Q19 EARNINGS RELEASE

NOVEMBER 6th, 2018

Net Income in 2Q19 amounts to R\$58.5 million (+10.4%)

2Q19 and 6M19 Highlights

- ✓ Adjusted EBITDA totaled **R\$316.2 million** in 2Q19 (-19.1%), with **Adjusted EBITDA margin of 49.1%**. The nominal reduction mainly reflects the lower sugar sales volume in the period due to the shift in the production mix this crop year towards ethanol combined with the strategy to carryover sugar inventories for settlement at October/18 and March/19 prices;
- ✓ Adjusted EBIT amounted to **R\$122.8 million** in 2Q19 (-40.4%), **with Adjusted EBIT margin of 19.1%**. The reduction is due to the lower Adjusted EBITDA, as mentioned above, and to the higher expenses with depreciation and amortization, with a non-cash effect on the current fiscal year;
- ✓ Net income in 2Q19 summed **R\$58.5 million** (10.4%), reflecting the reduction in financial expenses and exchange variation;
- ✓ Ethanol volume available for sale during 2nd semester sums approximately 66% of production;
- ✓ Production cash cost in 6M19 was **R\$892/ton** for sugar (-3.4% vs. 12M18) and **R\$1,395/m³** for ethanol, in line with the previous crop year;
- ✓ On September 30, 2018, sugar prices for the 19/20 crop year were hedged for approximately **300,000 tons** at average price of **R\$1,190/ton, which represents around 44% of exposure in own sugarcane.**

Executive Summary	2Q19	2Q18	Chg. (%)	6M19	6M18	Chg. (%)
Net Revenue ¹	643,427	736,302	-12.6%	1,414,593	1,604,158	-11.8%
Adjusted EBITDA	316,238	390,843	-19.1%	717,628	866,183	-17.2%
Adjusted EBITDA Margin	49.1%	53.1%	-3.9 p.p.	50.7%	54.0%	-3.3 p.p.
Adjusted EBIT	122,835	206,193	-40.4%	320,959	479,386	-33.0%
Adjusted EBIT Margin	19.1%	28.0%	-8.9 p.p.	22.7%	29.9%	-7.2 p.p.
Net Income before taxes	58,932	53,058	11.1%	212,757	213,937	-0.6%
Net Income	58,547	53,015	10.4%	162,506	169,888	-4.3%
Cash Income	64,325	167,070	-61.5%	222,152	397,266	-44.1%
Net Debt / EBITDA	1.72 x	1.60 x	7.0%	1.72 x	1.60 x	7.0%

1- Excludes the Hedge Accounting effect of foreign-denominated debt and PPA USC

September 28, 2018

SMT03
R\$18.32 per share

Market Cap:
R\$6,669 million

Earnings Conference Call

November 7, 2018 (Wednesday)

3:00 p.m., Brasília time + 55 11 3193-1001
12:00 p.m., New York time +1 646 828-8246

Code: São Martinho
[Click here](#) to access the webcast

COMPANY OVERVIEW

Operating Highlights

OPERATIONAL DATA	6M19	6M18	Chg.(%)
Crushed Sugarcane ('000 tons)	18,429	18,672	-1.3%
Own	12,153	12,158	0.0%
Third Parties	6,276	6,514	-3.6%
Mechanized Harvest	99.9%	99.8%	0.07 p.p.
Agricultural Yield (ton/ha)	75.3	82.3	-8.5%
Average TRS (kg/ton)	142.1	137.9	3.1%
Production			
Sugar ('000 tons)	902	1,214	-25.7%
Ethanol ('000 m ³)	983	762	29.0%
Cogeneration ('000 MWh)	649	642	1.0%
TRS Produced	2,620	2,574	1.8%
Mix Sugar - Ethanol	36% - 64%	50% - 50%	

The Company processed 18.4 million tons of sugarcane in the first half of the 2018/19 crop year, which represents a reduction of 1.3% compared to the same period last crop year, due to the dry weather observed until September 2018, which affected yields. Despite the reduction in cane processing volume, average TRS increased 3.1% (142.1 kg/ton), with total TRS produced in the first half of the year up 1.8% on the same period last crop year.

As of today - 2Q19 earnings release - two of the Company's units (Iracema Mill and Boa Vista Mill) were still in operation, for which reason we do not have the official data for the crop year end, which should occur in the coming days.

Financial Indicators

The following table presents São Martinho's financial highlights in the second quarter and first six months of the crop year, which will be discussed in more detail throughout this earnings release.

	2Q19	2Q18	Chg. (%)	6M19	6M18	Chg. (%)
R\$ '000						
Net Revenue ¹	643,427	736,302	-12.6%	1,414,593	1,604,158	-11.8%
Adjusted EBITDA	316,238	390,843	-19.1%	717,628	866,183	-17.2%
Adjusted EBITDA Margin	49.1%	53.1%	-3.9 p.p.	50.7%	54.0%	-3.3 p.p.
Adjusted EBIT	122,835	206,193	-40.4%	320,959	479,386	-33.0%
Adjusted EBIT Margin	19.1%	28.0%	-8.9 p.p.	22.7%	29.9%	-7.2 p.p.
Consolidated Balance Sheet Indicators						
Total Assets	9,573,128	9,399,909	1.8%	9,573,128	9,399,909	1.8%
Shareholders' Equity	3,257,083	3,331,032	-2.2%	3,257,083	3,331,032	-2.2%
EBITDA (LTM)	1,800,556	1,746,715	3.1%	1,800,556	1,746,715	3.1%
Net Debt	3,090,556	2,800,903	10.3%	3,090,556	2,800,903	10.3%
Net Debt / EBITDA (LTM)	1.72 x	1.60 x	7.0%	1.72 x	1.60 x	7.0%
Net Debt / Shareholders' Equity	95%	84%		95%	84%	

¹ - Excludes the Hedge Accounting effect of foreign-denominated debt and PPA USC

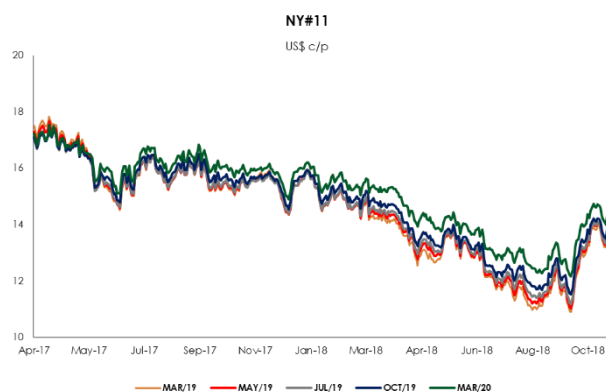
INDUSTRY OVERVIEW

According to the report issued by the Sugarcane Industry Association (UNICA), since the start of the crop year until October 16, 2018, the Center-South region processed 483.6 million tons of sugarcane, 3.5% less than in the same period of the previous crop year, mainly reflecting the dry weather observed in the crop year until September. Consequently, average TRS ended the period at 140.45 kg/ton, 2.7% higher than in the same period of the previous crop year, of which 36.1% was allocated to sugar production and 63.9% to ethanol production.

Sugar

According to data from UNICA, since the start of the crop year, Brazil's Center-South region produced around 23.4 million tons of sugar, 25.3% less than in the prior-year period. The lower production is mainly due to the shift in the production mix to prioritize ethanol, given the product's higher profitability compared to sugar in the period.

However, starting September 2018, international sugar prices began to stage an important recovery, supported by factors that pressured global production, such as: (i) the reduction in sugar production in India due to the white grub infestation in certain regions; (ii) poorer weather conditions in Europe, with a high probability of El Niño occurring in the first half of 2019; and (iii) the expectation of maintenance in the mix favoring ethanol in Brazil's next crop year (19/20).



In view of this scenario and as it will be detailed in the “Hedge” section of this release, we have prices hedged for approximately 300,000 tons of sugar for 19/20 crop year, which represents approximately 44% of own cane (ethanol mix), at an average price of approximately R\$ 1,190/ton, which is similar to current prices when combined with dollar futures.

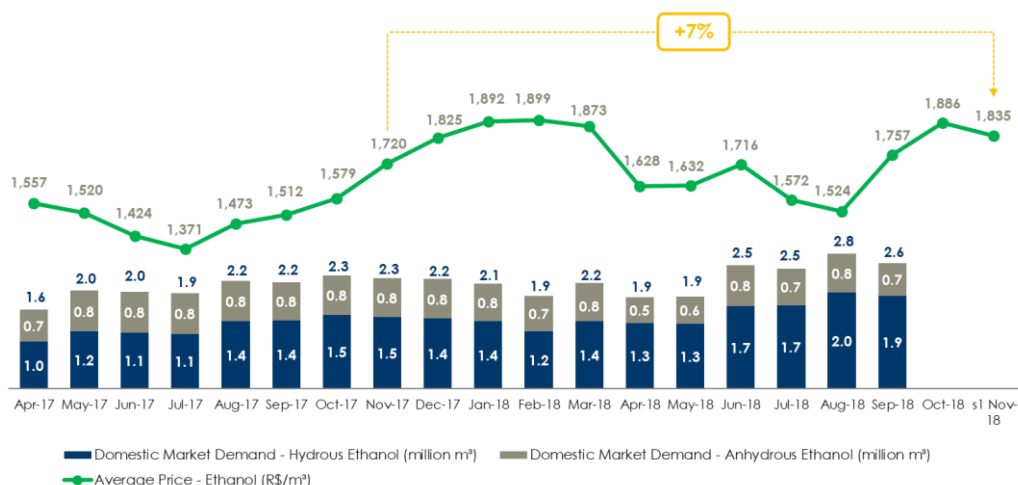
Ethanol

According to data from UNICA, since the start of crop year until October 16, 2018, ethanol production in Brazil's Center-South region increased 22.7% compared to the same period of last crop year, with the production mix heavily prioritizing hydrous ethanol production (+69.1%).

Starting September 2018, ethanol prices staged an important recovery, including when compared to the same period of the prior crop year, mainly due to the favorable parity vis-à-vis the gas price at the pump, as well as to the constructive scenario for oil prices.

Based on ANP data, the market share of hydrous ethanol consumption increased from 28% to 40% in January to September 2018 compared to the same period last crop year when we take into account the consumption of C gasoline in key consumer states, such as São Paulo, Minas Gerais and Goiás. The significant increase in hydrous ethanol consumption reflects the parity with C gasoline at the pump, which currently stands at around 60% in these states.

The following chart shows monthly ethanol hydrous and anhydrous consumption and the average prices practiced, based on data from ESALQ.



Source: Unica and CEPEA/ESALQ

As detailed below (see the Inventories section), by the end of the harvest, we will have approximately 66% of total annual production for sale.

FINANCIAL PERFORMANCE

NET REVENUE BREAKDOWN	2Q19	2Q18	Chg. (%)	6M19	6M18	Chg. (%)
R\$ '000						
Domestic Market	493,046	409,998	20.3%	972,257	752,450	29.2%
Sugar	39,866	38,752	2.9%	74,689	80,870	-7.6%
Ethanol	353,995	278,775	27.0%	707,763	499,493	41.7%
Energy	81,564	78,012	4.6%	157,271	144,224	9.0%
Real Estate Development	954	1,196	-20.2%	2,266	2,302	-1.6%
Others	16,667	13,263	25.7%	30,268	25,561	18.4%
Export Market	150,381	326,304	-53.9%	442,336	851,708	-48.1%
Sugar	123,947	320,419	-61.3%	396,591	830,954	-52.3%
Ethanol	26,434	4,648	468.7%	45,745	16,646	174.8%
Others	-	1,237	n.m.	-	4,108	n.m.
Net Revenue¹	643,427	736,302	-12.6%	1,414,593	1,604,158	-11.8%
Sugar	163,813	359,171	-54.4%	471,280	911,824	-48.3%
Ethanol	380,429	283,423	34.2%	753,508	516,139	46.0%
Energy	81,564	78,012	4.6%	157,271	144,224	9.0%
Real Estate Development	954	1,196	-20.2%	2,266	2,302	-1.6%
Others	16,667	14,500	14.9%	30,268	29,669	2.0%

1 - Excludes the Hedge Accounting effect of foreign-denominated debt and PPA USC

Net Revenue

In the second quarter of the 18/19 crop year, the Company's net revenue amounted to R\$643.4 million, decreasing 12.6% from the same period last crop year. The reduction is mainly due to (i) the lower average price and lower volume of sugar sales (see below for more details in the explanation by product), partially offset by the higher average price and volume of ethanol sales; and (ii) the strategy of carrying over sugar for sale at October 2018 and March 2019 prices. In 6M19, revenue fell 11.8%, due to the same reasons that affected the result for the quarter.

Main Adjustments in Net Revenue for 2Q19 and 6M19

1) Debt Maturity (Hedge Accounting)

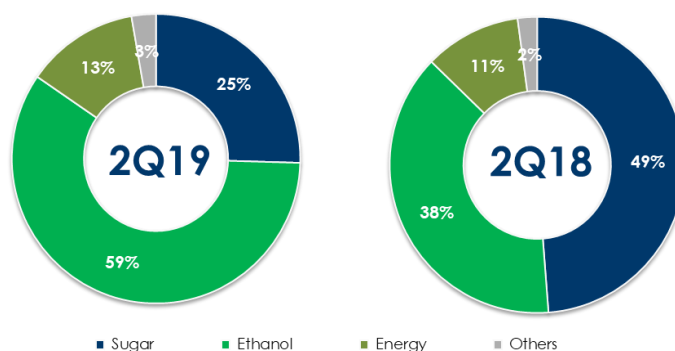
Debt maturity (Hedge accounting): Expense related to exchange variation on debt settled in 2Q19 that was previously designated as Hedge accounting at a USD/BRL exchange rate of R\$3.3. Considering that the exchange rate used for the purposes of cash flow in the period was R\$3.9/USD, we adjusted the amount of R\$1.1 million in net revenue and EBITDA to provide a better understanding of the Company's cash generation in the period. In 6M19, we adjusted the amount of R\$11.4 million.

2) PPA

Price Purchase Allocation (PPA): Non-cash expense of R\$3.7 million in 2Q19, reflecting the amortization of goodwill paid for the future profitability of the cogeneration volume of the Santa Cruz Mill. In 6M19, we adjusted R\$7.3 million in net revenue.

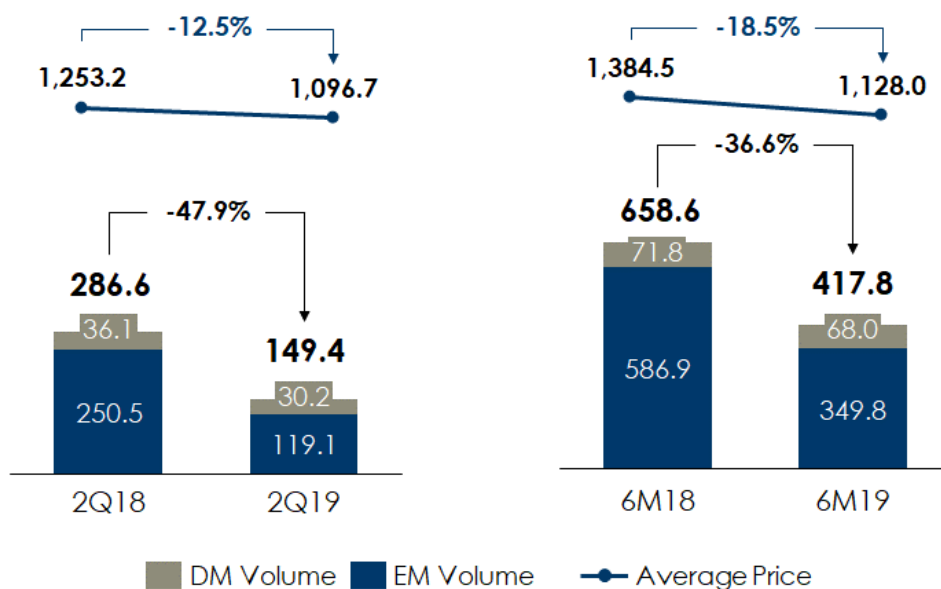
The following charts present a breakdown of the Company's net revenue by product:

Net Revenue Breakdown



Sugar

Volume ('000 tons) and Average Price (R\$/ton)

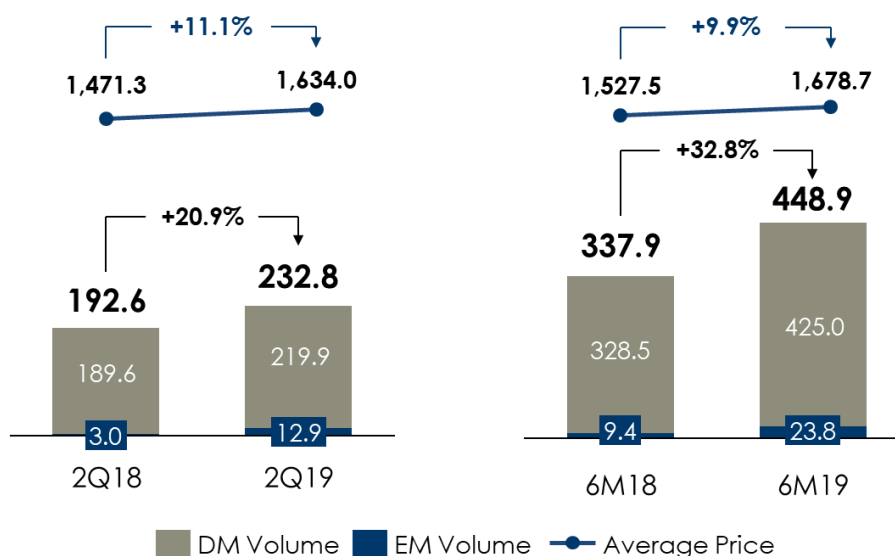


Net revenue from sugar sales amounted to R\$163.8 million in 2Q19, down 54.4% compared to the same period last crop year. This revenue decline mainly reflects the 47.9% reduction in sugar sales volume – in line with the strategy to allocate a higher share of the production mix to ethanol this crop year, in addition to carrying over sugar inventories for sale at October 2018 and March 2019 prices – and the 12.5% reduction in the average sugar sale price due to lower commodity prices.

In the first six months of the crop year (6M19), net revenue from sugar sales amounted to R\$471.3 million, decreasing 48.3% compared to 6M18, explained by the 18.5% decrease in the average sales price and the 36.6% decline in sugar sales volume.

Ethanol

Volume ('000 m³) and Average Price (R\$/m³)



Net revenue from ethanol sales amounted to R\$380.4 million in 2Q19, up 34.2% from 2Q18, mainly due to the higher ethanol sales volume in the period (+20.9%) and the 11.1% increase in the average ethanol sales price compared to 2Q18, which mainly reflects the higher oil prices in the period.

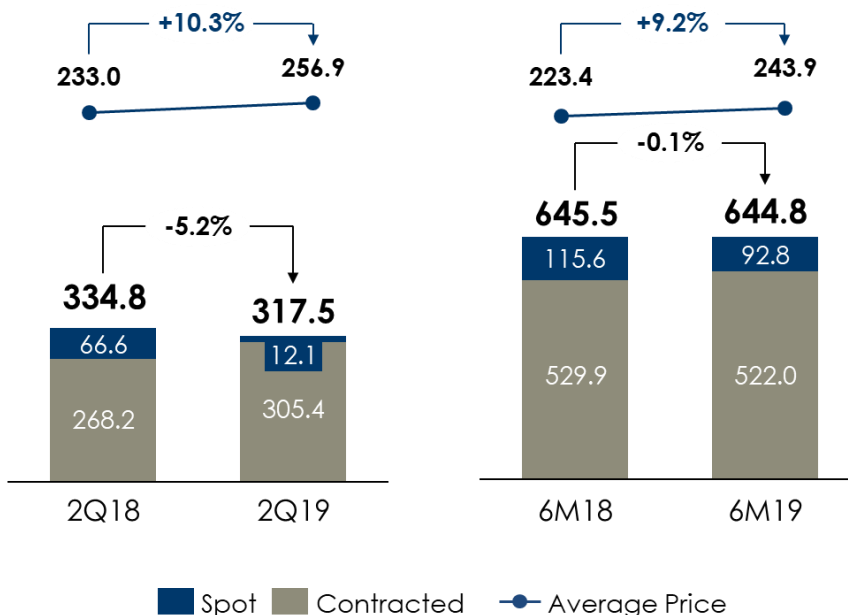
In the first six months of the crop year, net revenue from ethanol sales rose 46.0% compared to the same period last crop year, due to the same factors that affected performance in the quarter.

The Company maintains its strategy of carrying over ethanol inventories for sale in the second half of the crop year in the Center-South region, when the product's prices typically remunerate production more adequately.

As detailed below (see the Inventories section), by the end of the harvest, we will have approximately 66% of total annual production for sale.

Cogeneration

Volume ('000 MWh) and Average Price (R\$/MWh)



Net revenue from cogeneration sales in 2Q19 amounted to R\$81.6 million, increasing 4.6% from the same period last crop year. The improvement is explained by the 10.3% increase in the average sales price, which was mainly influenced by the higher spot price. In the first six months of the crop year, net revenue from cogeneration sales increased 9.0% to R\$157.3 million, which is explained by the same factors that influenced performance in the quarter.

Real Estate Development

The following table presents an overview of these projects and their percentage of completion (POC) and sales since their launch as of September 2018.

Real Estate Development	Type	Town	Area (m ²)	Launched date	Total lots sold	POC Position
Recanto das Paineiras	Residence	Iracemápolis	376,567	June-14	99.5%	100.0%
Park Empresarial - I	Industrial	Iracemápolis	182,684	September-14	76.1%	100.0%
Park Empresarial - II	Industrial	Iracemápolis	133,794	October-17	25.7%	94.2%
Nova Pradópolis - Fase I	Residence	Pradópolis	246,937	December-15	95.8%	100.0%
Nova Pradópolis - Fase II	Residence	Pradópolis	255,750	July-17	50.9%	100.0%

In 6M19, the Company recognized net revenue of R\$2.3 million and cash generation of R\$5.2 million.

Real Estate Development	Net Revenue 6M19	Cash Generation 6M19	Portfolio September/18
Current Projects	2,266	5,156	63,030
Land Monetization	0	0	6,290
Total	2,266	5,156	69,320

INVENTORIES

The following table presents the inventory position at the end of 2Q19:

INVENTORIES	2Q19	2Q18	Chg. (%)
Sugar (tons)	514,448	565,886	-9.1%
Ethanol (m ³)	610,635	453,070	34.8%

EBITDA AND EBITDA COST BY PRODUCT

EBITDA BY PRODUCT - 2Q19	SUGAR	ETHANOL	COGEN	REAL ESTATE	OTHERS	TOTAL
R\$ '000						
Net Revenue ¹	163,813	380,429	81,564	954	16,667	643,427
COGS (Cash)	(71,508)	(174,365)	(7,433)	(125)	(7,280)	(260,711)
Gross Profit (Cash)	92,305	206,064	74,131	829	9,387	382,716
Gross Margin (Cash)	56.3%	54.2%	90.9%	86.9%	56.3%	59.5%
Selling Expenses	(9,575)	(5,803)	(3,147)	-	(231)	(18,756)
G&A Expenses (Cash)	(14,806)	(29,437)	(6,664)	(1,409)	-	(52,316)
Other Income (Expenses)	-	-	-	-	4,594	4,594
Adjusted EBITDA	67,924	170,824	64,320	(580)	13,750	316,238
Adjusted EBITDA Margin	41.5%	44.9%	78.9%	-60.8%	82.5%	49.1%
EBITDA Cost ²	(642.0)	(900.3)	(54.3)			

1- Excludes Hedge Accounting effects of foreign-denominated debt and PPA (- R\$ 1.1 million)

2 - Sugar in R\$/Ton

Ethanol in R\$/m³

Cogeneration in R\$/MWh

EBITDA BY PRODUCT - 2Q18	SUGAR	ETHANOL	COGEN	REAL ESTATE	OTHERS	TOTAL
R\$ '000						
Net Revenue ¹	359,171	283,423	78,012	1,196	14,500	736,302
COGS (Cash)	(131,190)	(125,763)	(8,979)	(96)	(8,857)	(274,884)
Gross Profit (Cash)	227,981	157,660	69,033	1,100	5,643	461,418
Gross Margin (Cash)	63.5%	55.6%	88.5%	92.0%	38.9%	62.7%
Selling Expenses	(21,628)	(3,714)	(2,546)	-	(30)	(27,918)
G&A Expenses (Cash)	(20,724)	(16,247)	(5,208)	(911)	-	(43,090)
Other Income (Expenses)	-	-	-	-	434	434
Adjusted EBITDA	185,628	137,700	61,279	189	6,047	390,843
Adjusted EBITDA Margin	51.7%	48.6%	78.6%	15.8%	41.7%	53.1%
EBITDA Cost ²	(605.5)	(756.5)	(50.0)			

1- Excludes Hedge Accounting effects of foreign-denominated debt and PPA (- R\$ 122.3 million)

2 - Sugar in R\$/Ton

Ethanol in R\$/m³

Cogeneration in R\$/MWh

EBITDA BY PRODUCT - 6M19	SUGAR	ETHANOL	COGEN	REAL ESTATE	OTHERS	TOTAL
R\$ '000						
Net Revenue ¹	471,280	753,508	157,271	2,266	30,268	1,414,593
COGS (Cash)	(201,646)	(339,538)	(16,175)	(182)	(12,397)	(569,938)
Gross Profit (Cash)	269,634	413,970	141,096	2,084	17,871	844,655
Gross Margin (Cash)	57.2%	54.9%	89.7%	92.0%	59.0%	59.7%
Selling Expenses	(28,353)	(7,819)	(6,037)	-	(377)	(42,586)
G&A Expenses (Cash)	(31,414)	(48,343)	(11,451)	(2,079)	-	(93,287)
Other Income (Expenses)	-	-	-	-	8,846	8,846
Adjusted EBITDA	209,867	357,808	123,608	5	26,340	717,628
Adjusted EBITDA Margin	44.5%	47.5%	78.6%	0.2%	87.0%	50.7%
EBITDA Cost ²	(625.7)	(881.6)	(52.2)			

1- Excludes Hedge Accounting effects of foreign-denominated debt and PPA (- R\$ 177.8 million)

2 - Sugar in R\$/Ton

Ethanol in R\$/m³

Cogeneration in R\$/MWh

EBITDA BY PRODUCT - 6M18	SUGAR	ETHANOL	COGEN	REAL ESTATE	OTHERS	TOTAL
R\$ '000						
Net Revenue ¹	911,824	516,139	144,224	2,302	29,669	1,604,158
COGS (Cash)	(321,918)	(241,769)	(17,037)	(259)	(16,426)	(597,409)
Gross Profit (Cash)	589,906	274,370	127,187	2,043	13,243	1,006,749
Gross Margin (Cash)	64.7%	53.2%	88.2%	88.7%	44.6%	62.8%
Selling Expenses	(46,388)	(5,216)	(4,918)	-	(410)	(56,932)
G&A Expenses (Cash)	(43,944)	(29,898)	(9,993)	(1,615)	-	(85,450)
Other Income (Expenses)	-	-	-	-	1,816	1,816
Adjusted EBITDA	499,574	239,255	112,276	428	14,650	866,183
Adjusted EBITDA Margin	54.8%	46.4%	77.8%	18.6%	49.4%	54.0%
EBITDA Cost ²	(625.9)	(819.4)	(49.5)			

1- Excludes Hedge Accounting effects of foreign-denominated debt and PPA (- R\$ 11.4 million)

2 - Sugar in R\$/Ton

Ethanol in R\$/m³

In 2Q19, sugar accounted for 21.5% of the Company's Adjusted EBITDA, while ethanol accounted for 54.0% and cogeneration for 20.3%. Sugar EBITDA margin contracted 10.2 p.p. compared to the same period last crop year, mainly due to the lower average sales price. Ethanol margin contracted 3.7 p.p., which basically reflects the concentration of ethanol sales at the mills in São Paulo state, which have higher production costs compared to the mill in Goiás state.

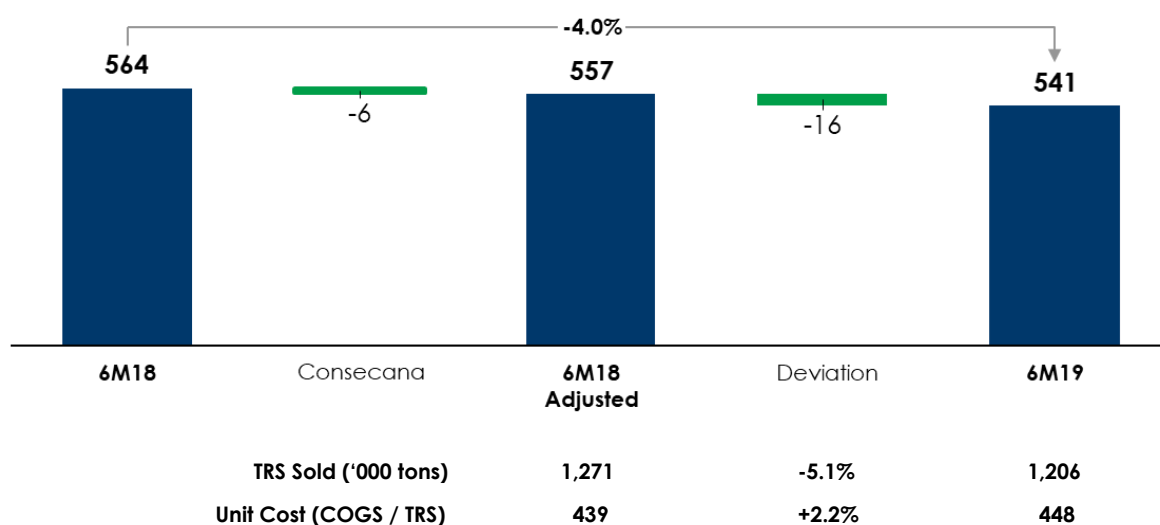
In 6M19, sugar accounted for 29.2% of the Company's consolidated Adjusted EBITDA, while ethanol accounted for 49.9% and cogeneration for 17.2%. Sugar EBITDA margin contracted 10.3 p.p. compared to the same period last crop year, mainly due to the lower average sales price. Ethanol margin was 1.1 p.p. higher than in same period last crop year, mainly reflecting the higher average sales price.

CASH COGS

CASH COGS	2Q19	2Q18	Chg. (%)	6M19	6M18	Chg. (%)
R\$ '000						
Agricultural Costs	212,780	226,932	-6.2%	469,218	504,841	-7.1%
Suppliers	127,156	136,326	-6.7%	261,232	284,453	-8.2%
Partnerships	42,569	46,297	-8.1%	104,066	110,661	-6.0%
Own Sugarcane	43,055	44,309	-2.8%	103,920	109,728	-5.3%
Industrial	33,137	35,033	-5.4%	74,653	72,371	3.2%
Other Products	29,916	35,882	-16.6%	58,587	67,712	-13.5%
Reintegra	(164)	(4,929)	-96.7%	(3,226)	(13,326)	-75.8%
Total COGS	275,669	292,919	-5.9%	599,232	631,598	-5.1%
TRs Sold ('000 Tons)	556	630	-11.8%	1,206	1,271	-5.1%
Unit Cost (Sugar and Ethanol Cash COGS / TRS)	442	408	8.4%	448	444	1.1%

Cash COGS in 2Q19 was R\$ 275.7 million, down 5.9% from the same period last season, essentially due to the lower volume of TRS sold in the period, as detailed below. In the six-month period, Cash COGS was R\$599.2 million, down 5.1%, reflecting the same factors that affected performance in the quarter.

The following chart shows the variation in costs, considering only sugar and ethanol, in 6M19 compared to 6M18, excluding the impact from Consecana in the period.



The table below presents details on the variation in average unit cash COGS for both sugar and ethanol compared to the same period last crop year.

In 2Q19, sugar unit cash COGS was R\$478.8/ton, up 4.6% from the same period last crop year, mainly due to the inflation adjustment on costs and to the tax benefit rate (Reintegra) reduction between periods. In the six-month period, unit cash COGS decreased by 1.3%.

Ethanol unit cash COGS was R\$748.9/m³ in 2Q19, increasing 14.7% compared to the same quarter last crop year. The main factor in this increase was the higher ethanol volumes sold by the mills in São Paulo compared to the mill in Goiás, given that the Goiás unit has 30% lower cash COGS compared to the average of São Paulo.

AVERAGE CASH COST PER UNIT	2Q19	2Q18	Chg. (%)	6M19	6M18	Chg. (%)
R\$ Thousand						
COGS (Cash)	245,873	256,953	-4.3%	541,184	563,687	-4.0%
Sugar	71,508	131,190	-45.5%	201,646	321,918	-37.4%
Ethanol	174,365	125,763	38.6%	339,538	241,769	40.4%
Average Cash Cost Per Unit¹						
Sugar Cash Cost	478.8	457.7	4.6%	482.7	488.8	-1.3%
Ethanol Cash Cost	748.9	652.9	14.7%	756.5	715.5	5.7%

¹ - Sugar in R\$/Ton
Ethanol in R\$/m³

For a better understanding of average production cost in 6M19, the following table presents a breakdown of cost taking into account: (i) maintenance capex, (ii) selling expenses; and (iii) administrative expenses.

6M19	Sugar	Ethanol	Energy	Others	Total
R\$ million					
Cost of Goods Sold	333	576	25	19	953
Selling Expenses	28	8	6	0	43
General and Administrative Expenses	34	52	12	2	100
(-) Depreciation/Amortization	(131)	(242)	(10)	(6)	(389)
Biological Assets	(2)	2	-	-	(0)
Cash costs and expenses	261	396	34	15	706
(+) Maintenance CAPEX	111	230			341
Total	372	626	34	15	1,047
Average Price (in R\$/unit¹.)	1,128	1,679	244		
Average Cost (in R\$/unit¹.)	892	1,395	52		
Operating Margin (%)	21%	17%	79%		
Sold Volumes ('000 unit¹)	418	449	645		

¹ - Unit: Sugar: tons, Ethanol: m³, Energy: MWh

SELLING EXPENSES

	2Q19	2Q18	Chg. (%)	6M19	6M18	Chg. (%)
R\$ '000						
Port Costs / Freight	12,760	24,096	-47.0%	32,011	49,734	-35.6%
Other	5,996	3,822	56.9%	10,575	7,198	46.9%
Selling Expenses	18,756	27,918	-32.8%	42,586	56,932	-25.2%
TRS Sold ('000 Tons)	556	630	-11.8%	1,206	1,271	-5.1%
% of Net Revenue	2.9%	3.8%	-0.9 p.p.	3.0%	3.5%	-0.5 p.p.

In 2Q19, selling expenses amounted to R\$18.8 million, down 32.8% from the same period last crop year, mainly due to the lower sugar sales volume in the period. In the six-month period, selling expenses were 25.2% lower than in 6M18, due to the same reason that affected performance in the quarter.

CASH GENERAL & ADMINISTRATIVE EXPENSES

	2Q19	2Q18	Chg. (%)	6M19	6M18	Chg. (%)
R\$ '000						
Personnel and Management Fee	31,953	27,026	18.2%	59,242	55,414	6.9%
Taxes, Fees, Contributions and Contingencies	9,521	6,798	40.1%	12,521	9,610	30.3%
General Expenses and Third-Party Services	10,842	9,266	17.0%	21,524	20,426	5.4%
Total General and Administrative Expenses	52,316	43,090	21.4%	93,287	85,450	9.2%

In 2Q19, general and administrative expenses totaled R\$52.3 million, increasing 21.4% compared to the same period last crop year. The increase reflects various non-recurring effects, such as: (i) the reversal of labor contingencies in 2Q18, which adversely affected comparability with 2Q19; and (ii) the restructuring of certain administrative areas. In the six-month period, G&A expenses were 9.2% higher than in 6M18, due to the same factors that affected the quarterly performance.

EBITDA

Pro-Forma						
EBITDA RECONCILIATION	2Q19	2Q18	Chg. (%)	6M19	6M18	Chg. (%)
R\$ '000						
Adjusted EBITDA	316,238	390,843	-19.1%	717,628	866,183	-17.2%
Adjusted EBITDA Margin	49.1%	53.1%	-3.9 p.p.	50.7%	54.0%	-3.3 p.p.
Adjustment to Maturity of Hedge Accounting	1,050	122,267	-99.1%	11,355	177,776	-93.6%
Equity Income	(594)	(711)	-16.5%	255	(805)	n.m.
Non Recurring Operating Revenues (Expenses)	-	(117)	n.m.	-	1,625	n.m.
Biological Assets	5,843	(6,202)	n.m.	412	9,337	-95.6%
Book EBITDA	309,939	275,606	12.5%	705,606	678,250	4.0%
EBITDA Margin	48.5%	44.9%	3.6 p.p.	50.5%	47.6%	3.0 p.p.
(-) Depreciation and Amortization	(193,403)	(184,650)	4.7%	(396,669)	(386,797)	2.6%
(-) Financial Revenue (Expense), net	(57,604)	(37,898)	52.0%	(96,180)	(77,516)	24.1%
(=) Operating Income	58,932	53,058	11.1%	212,757	213,937	-0.6%

Adjusted EBITDA

Adjusted EBITDA in 2Q19 was R\$ 316.2 million (Adjusted EBITDA margin of 49.1%), down 19.1% from 2Q18, mainly reflecting the lower sugar sales volume in the period due to the shift in the production mix this crop year towards ethanol and the strategy of carrying over sugar inventories for settlement at the October/18 and March/19 prices. In 6M19, Adjusted EBITDA decreased 17.2% to R\$717.6 million (Adjusted EBITDA margin of 50.7%), which is explained by the same factors that affected performance in the quarter.

Main Adjustments to EBITDA in 2Q19 and 6M19

1) Debt Maturity (Hedge accounting)

Debt maturity (Hedge accounting): Expense related to exchange variation on debt settled in 2Q19 that was previously designated as Hedge accounting at a USD/BRL exchange rate of R\$3.3. Considering that the exchange rate used for the purposes of cash flow in the period was R\$3.9/USD, we adjusted the amount of R\$1.1 million in net revenue and EBITDA to provide a better understanding of the Company's cash generation in the period. In 6M19, we adjusted the amount of R\$11.4 million.

2) Biological Assets

Negative non-cash effect of R\$5.8 million on accounting costs (COGS) in 2Q19 from the mark-to-market adjustment of biological assets. In the six-month period, the negative effect was R\$0.4 million.

Operating Cash Generation (Adjusted EBIT)

	2Q19	2Q18	Chg.%	6M19	6M18	Chg.%
R\$ '000						
Adjusted EBIT	122,835	206,193	-40.4%	320,959	479,386	-33.0%
Adjusted EBIT Margin	19.1%	28.0%	-8.9 p.p.	22.7%	29.9%	-7.2 p.p.
(-) Depreciation and Amortization	(193,403)	(184,650)	4.7%	(396,669)	(386,797)	2.6%
Adjusted EBITDA	316,238	390,843	-19.1%	717,628	866,183	-17.2%
Adjusted EBITDA Margin	49.1%	53.1%	-3.9 p.p.	50.7%	54.0%	-3.3 p.p.
Adjustment to Maturity of Hedge	1,050	122,267	-99.1%	11,355	177,776	-93.6%
Equity Income	(594)	(711)	-16.5%	255	(805)	n.m.
Non Recurring Operating Revenues (Expenses)	-	(117)	n.m.	-	1,625	n.m.
Biological Assets	5,843	(6,202)	n.m.	412	9,337	-95.6%
Book EBITDA	309,939	275,606	12.5%	705,606	678,250	4.0%
EBITDA Margin	48.5%	44.9%	3.6 p.p.	50.5%	47.6%	3.0 p.p.

Adjusted earnings before taxes (EBIT) in 2Q19 came to R\$122.8 million (adjusted EBIT margin of 19.1%), down 40.4% from 2Q18. In 6M19, Adjusted EBIT decreased 33.0% to R\$321.0 million (EBIT margin of 22.7%). The reduction in Adjusted EBIT in the periods is due to the same factors that adversely affected EBITDA.

HEDGE

The tables below summarize our sugar and U.S. dollar hedge positions as of September 30, 2018.

Sugar

	Volume Hedged (tons)	Avg. Price (US\$ c/p)	Avg. Price (R\$/Ton)
Sugar			
2018/2019 crop year	515,087	13.85	1,151.0
2019/2020 crop year	299,990	13.17	1,190.2

On September 30, 2018, sugar prices for the 2018/19 crop year were hedged for 515.1 thousand tons at USD13.85 ¢/lb, **which represents the hedging of approximately 97% of own cane and 87% of total sugar, considering the remaining sugar volume to be sold until the end of the crop year.**

Sugar prices for the 2019/20 crop year were hedged for 300.0 thousand tons at USD13.17 ¢/lb, or approximately R\$ 1,190/ton, which represents the hedging of approximately **44% of own cane.**

U.S. Dollar

On September 30, 2018, the Company held open positions through Non-Deliverable Forwards (NDFs) and derivative instruments, which are used to hedge its exports, for the 2018/2019 and 2019/2020 crop years, as follows:

	TOTAL		SUGAR		ETHANOL	
	US\$ '000	Average Price (R\$/US\$)	US\$ '000	Average Price (R\$/US\$)	US\$ '000	Average Price (R\$/US\$)
2018/2019 crop year	96,072	3.62	86,107	3.58	9,965	4.01
2018/2019 crop year	83,599	4.10	83,599	4.10	-	-

The volume of NDFs in U.S. dollar on said date represented approximately 61% of own cane or 47% of total cane hedged for the 2018/19 crop year. For the 2019/20 crop year, the volume of NDFs in U.S. dollar represented 42% of own cane.

Hedge accounting

Effect on Shareholders' Equity

In March 2010, inclusive, the Company began to adopt hedge accounting for derivatives classified as hedge instruments, as well as debt denominated in foreign currency.

The quarterly results are recorded in shareholders' equity ("Adjustments to Book Value"), net of deferred income and social contribution taxes. In the period from April to September 2018, we recorded a reduction in shareholders' equity of R\$151.3 million.

Effect on Income Statement

As previously mentioned, certain foreign-denominated liabilities that had been designated to Hedge Accounting will mature in the future, which will impact our net revenue.

In 2Q19, a total of US\$1.8 million in debt was recognized, with the exchange rate of R\$3.3/US\$ adopted for the translation of net revenue. Considering that the exchange rate used for the purposes of cash flow in the period was R\$3.9/US\$, we made an adjustment of R\$1.1 million in net revenue and EBITDA to provide a better understanding of the Company's operating cash generation in the period.

In 6M19, a total of US\$11.4 million in debt was recognized at the exchange rate of R\$2.6/US\$ used for the translation of net revenue. Considering that the exchange rate used for the purposes of cash flow in the period was R\$3.6/US\$, we made an adjustment of R\$11.4 million in net revenue and EBITDA to provide a better understanding of the Company's operating cash generation in the period.

NET FINANCIAL RESULT

FINANCIAL RESULTS	2Q19	2Q18	Chg.%	6M19	6M18	Var.%
R\$ '000						
Financial Revenues	30,319	31,333	-3.2%	57,458	76,150	-24.5%
Financial Expenses	(79,787)	(78,093)	2.2%	(153,363)	(170,225)	-9.9%
Financial Result before Exchange Var. and Hedge	(49,468)	(46,760)	5.8%	(95,905)	(94,075)	1.9%
Hedge Result/Exchange Variation	(7,934)	13,198	n.m.	4,923	24,059	-79.5%
Copersucar	(203)	(4,336)	-95.3%	(5,199)	(7,500)	-30.7%
Net Financial Result	(57,605)	(37,898)	52.0%	(96,181)	(77,516)	24.1%

The Company registered a net financial expense of R\$57.6 million in 2Q19, which represents an increase of 52.0% from 2Q18. In the first six months of the crop year, the net financial expense increased by 24.1% to R\$96.2 million. The deterioration in the Company's financial result mainly reflects the higher impact from exchange variation in the periods.

COPERSUCAR

Obligations

On September 30, 2018, São Martinho recognized the amount of R\$205.0 million in obligations payable to Copersucar under Liabilities on its balance sheet. In view of the terms negotiated in the process to terminate the membership at Copersucar, we will continue to book under “Obligations - Copersucar” all liabilities related to the contingencies currently being resolved judicially that were filed by legal counsel at Copersucar. These obligations continue to be secured by suretyships in the amount of R\$205.0 million on a consolidated basis.

Rights

Copersucar also figures as plaintiff in legal proceedings challenging the refund/overpayment of various taxes or indemnities. São Martinho, in the condition of former cooperative member, will be entitled proportionally to these credits, if any, and will inform the market when such rights become good and marketable on behalf of the Company.

As reported by Copersucar in its Financial Statements at March 31, 2018, the Judiciary condemned the Union to indemnify the cooperative for damages caused to its members resulting from the fixing of lagged prices, in sales of sugar and ethanol made in the 1980s. In June 2017 there was a request for payment in the order of R\$ 5.6 billion (R\$ 730.5 million in proportion to the Company). The payment of a supplementary balance in the order of R\$ 12.8 billion (R\$ 1.7 billion proportional) is requested, with the Federal Government claiming an excess of R\$ 2.2 billion (R\$ 286.3 million proportional). A second supplementary balance in the order of R\$ 10.6 billion (R\$ 1.4 billion proportional) was requested in June 2018, but it is found blocked and subject to Federal Government interpositions.

Issued precatories follow judicial rites, but Management maintains their classifications as probable but not under the entity's total control. Therefore, the credit right has not yet been registered.

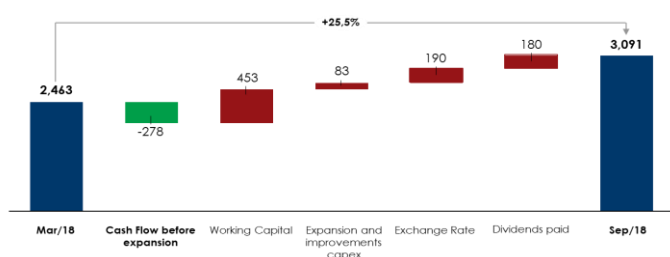
INDEBTEDNESS

INDEBTEDNESS	Sep/18	Mar/18	Chg.%
R\$ '000			
PESA	17,276	29,225	-40.9%
Rural Credit	750,569	509,214	47.4%
BNDES / FINAME	667,634	582,203	14.7%
Working Capital	295,069	397,336	-25.7%
International Finance Corporation (IFC)	364,933	303,797	20.1%
PPE (Export prepayment)	913,807	734,471	24.4%
NCE (Export Credit Note)	-	8,101	n.m.
Agribusiness Certificate of Receivables (CRA)	1,374,162	1,360,550	1.0%
Obligations from Acquisitions - LOP	50,241	50,256	0.0%
Gross Debt	4,433,692	3,975,153	11.5%
Cash and Cash Equivalents	1,343,136	1,512,385	-11.2%
Net Debt	3,090,556	2,462,768	25.5%
Net Debt / LTM EBITDA - R\$	1.72 x	1.26 x	35.9%
Net Debt / LTM EBITDA - USD ¹	1.51 x	1.22 x	23.4%
Adjusted EBITDA LTM	1,800,556	1,949,994	-7.7%

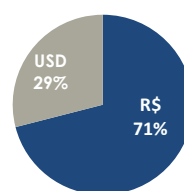
¹ - Net Debt PTAX:
March/18: R\$3.32
September/18: R\$4.00

Average Daily EBITDA PTAX (LTM):
March/18: R\$3.22
September/18: R\$3.52

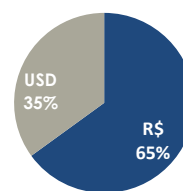
In September 2018, the Company increased its net debt by 25.5% to R\$3.1 billion. The increase mainly reflected the higher working capital needs in the period, due to the higher inventory of finished products, which should be converted into cash by the end of the crop year. The following chart presents the main items impacting debt.



CURRENCY-GROSS

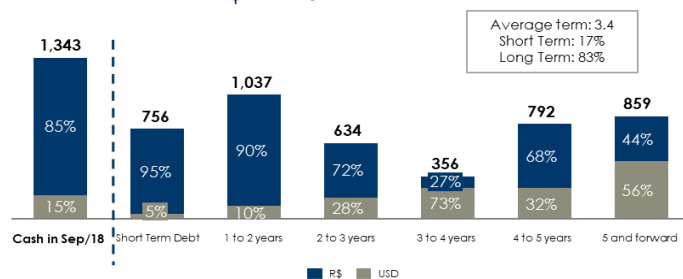


CURRENCY-NET



Debt Amortization Schedule

R\$ - Million



Net Debt / EBITDA LTM

Evolution



CAPEX

(Maintenance)	2Q19	2Q18	Chg.%	6M19	6M18	Var%.
R\$ '000						
Sugarcane Planting - Renovation	58,967	44,895	31.3%	115,746	88,597	30.6%
Off-Season Maintenance (Industrial/Agricultural)	-	-	n.m.	1,538	3,016	-49.0%
Crop Treatment	117,999	111,669	5.7%	224,141	215,061	4.2%
Total	176,967	156,563	13.0%	341,426	306,674	11.3%
(Operational Improvements)						
Equipment/Replacements	13,548	11,338	19.5%	28,053	41,922	-33.1%
Total	13,548	11,338	19.5%	28,053	41,922	-33.1%
(Upgrading/Expansion)						
R\$ '000						
Sugarcane Planting - Expansion	6,932	9,871	-29.8%	10,495	15,034	-30.2%
Projects (Industrial/Agricultural)	14,932	16,788	-11.1%	38,389	26,990	42.2%
Total	21,864	26,659	-18.0%	48,884	42,025	16.3%
Grand Total	212,379	194,560	9.2%	418,363	390,621	7.1%

The Company's maintenance CAPEX amounted to R\$177.0 million in 2Q19, increasing 13.0% from the previous crop year, due to the higher investments in planting and crop treatment. The increase is mainly due to a calendar effect, given that we anticipated soil preparation activities this crop year to renew fields and applied fertilizers for crop treatment. Therefore, such effect will be normalized by the end of the crop year.

Operational improvement CAPEX (investments in replacing agricultural and industrial equipment to boost yields) amounted to R\$13.5 million in 2Q19, up 19.5% compared to the same period last crop year. The increase reflects a calendar effect due to the anticipation of the conclusion of the harvest this crop year. Notably, in the first six months of the crop year, there was a decrease of 33.1% due to non-recurring investments made in 1Q18 related to the replacement of a portion of the agricultural fleet at the Boa Vista Unit and the São Martinho Unit, as mentioned in the previous quarter.

Expansion CAPEX amounted to R\$21.9 million in 2Q19, or 18.0% lower than in the year-ago period. In the first six months of the crop year, there was an increase of 16.3%, mainly explained by the carryover of projects started last season, such as the digital transformation of the agricultural operation (COA) and the pre-sprouted seedling (PSS) and Meiosi.

CASH NET INCOME

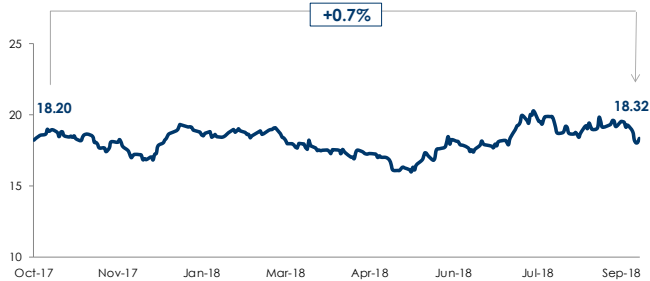
São Martinho's cash net income in 2Q19 amounted to R\$64.3 million, decreasing 61.5% from 2Q18. In the six-month period, cash net income decreased 44.1% to R\$222.2 million. The reduction is mainly explained by the lower adjusted EBITDA in the period.

Cash Income	2Q19	2Q18	Chg. (%)	6M19	6M18	Var. (%)
R\$ '000						
Net Income	58,547	53,015	10.4%	162,506	169,888	-4.3%
Income tax	385	43	795.3%	50,251	44,049	14.1%
Income Tax paid	(1,500)	(2,053)	-26.9%	(2,372)	(3,784)	-37.3%
Biological Asset	5,843	(6,202)	n.m.	412	9,337	-95.6%
Maturity of Hedge	1,050	122,267	-99.1%	11,355	177,776	-93.6%
Cash Income	64,325	167,070	-61.5%	222,152	397,266	-44.1%
Total Shares ex-treasury (in thousand)	350,803	358,580	-2.2%	350,803	358,580	-2.2%
Cash Income per share	0.18	0.47	-60.6%	0.63	1.11	-42.8%

CAPITAL MARKETS

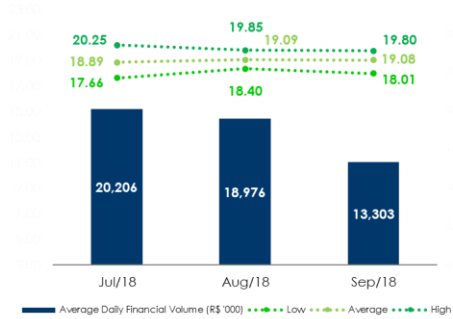
SMT03 Performance - 12 months

R\$



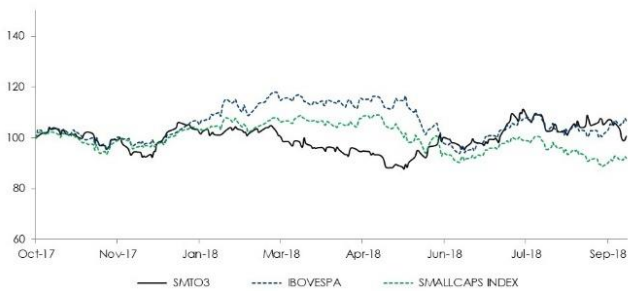
Price and Volume

R\$



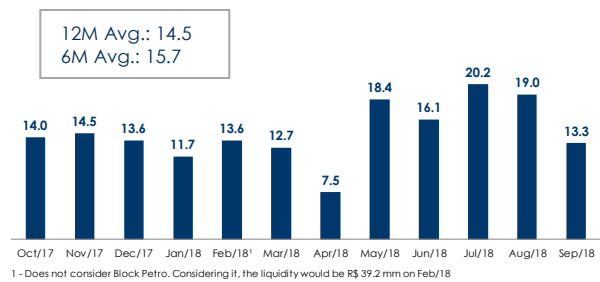
SMT03 vs. Stock Indexes

Base 100



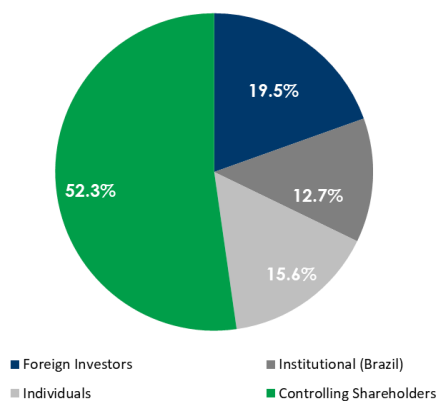
Average Daily Trading Volume

R\$ million

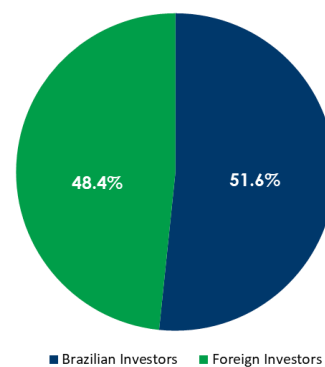


Ownership Structure

Base: Sep 30, 2018



Free-Float Composition



INVESTOR RELATIONS TEAM

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DISCLAIMER

This document contains forward-looking statements related to the business outlook, operating and financial projections and growth prospects of São Martinho. These statements are merely projections and as such are based exclusively on Management's expectations for the future of the business. These forward-looking statements depend materially on changes in market conditions and the performance of the Brazilian economy, the industry and international markets, and therefore are subject to change without prior notice.

INCOME STATEMENT

SÃO MARTINHO S.A. - CONSOLIDATED	2Q19	2Q18	Chg. (%)	6M19	6M18	Chg. (%)
R\$ Thousand						
Gross Revenue	708,863	668,720	6.0%	1,540,835	1,601,159	-3.8%
Deductions from Gross Revenue	(70,154)	(54,695)	28.3%	(144,942)	(174,868)	-17.1%
Net Revenue	638,709	614,025	4.0%	1,395,893	1,426,291	-2.1%
Cost of Goods Sold (COGS)	(452,516)	(450,045)	0.5%	(952,669)	(986,925)	-3.5%
Gross Profit	186,193	163,980	13.5%	443,224	439,366	0.9%
Gross Margin (%)	29.2%	26.7%	2.4 p.p	31.8%	30.8%	0.9 p.p
Operating Expenses	(69,657)	(73,351)	-5.0%	(134,287)	(148,539)	-9.6%
Selling Expenses	(18,756)	(27,918)	-32.8%	(42,586)	(56,932)	-25.2%
General and Administrative Expenses	(56,089)	(46,089)	21.7%	(100,291)	(91,055)	10.1%
Equity Income	594	97	512.4%	(255)	(1,795)	-85.8%
Other Operating Expenses, Net	4,594	559	721.8%	8,845	1,243	611.6%
Operating Profit, Before Financial Effects	116,536	90,629	28.6%	308,937	290,827	6.2%
Financial Result, Net	(57,604)	(37,555)	53.4%	(96,180)	(76,842)	25.2%
Financial Revenues	30,319	31,302	-3.1%	57,458	76,096	-24.5%
Financial Expenses	(79,989)	(82,055)	-2.5%	(158,560)	(176,995)	-10.4%
Monetary and Exchange Variations - Net	15,001	22,635	-33.7%	43,753	25,154	73.9%
Derivatives Results	(22,935)	(9,437)	143.0%	(38,831)	(1,097)	3439.7%
Income (Loss) Before Income and Social Contribution Taxes	58,932	53,074	11.0%	212,757	213,985	-0.6%
Income Tax and Social Contribution - Current	1,549	(6,143)	n.m.	14,848	(27,048)	n.m.
Income Tax and Social Contribution - Deferred	(1,934)	6,084	n.m.	(65,099)	(17,049)	281.8%
Net Income	58,547	53,015	10.4%	162,506	169,888	-4.3%
Net Margin (%)	9.2%	8.6%	0.5 p.p	11.6%	11.9%	-0.3 p.p

BALANCE SHEET (ASSETS)

SÃO MARTINHO S.A. CONSOLIDATED - ASSETS			
R\$ '000			
ASSETS		Sep/18	Mar/18
SHORT-TERM ASSETS			
Cash and Cash Equivalents		197,825	140,865
Marketable Securities		1,081,116	1,320,851
Trade Receivables		249,029	177,893
Derivative Financial Instruments		77,921	69,173
Inventories		1,365,310	334,654
Biological Assets		504,130	581,725
Taxes Recoverable		46,014	36,093
Income Tax and Social Contribution		99,545	9,687
Other Assets		19,342	16,917
TOTAL SHORT-TERM ASSETS		3,640,232	2,687,858
LONG-TERM ASSETS			
Long-term Receivables			
Marketable Securities		64,195	50,669
Inventories		122,267	111,135
Related Parties		2,668	5,834
Derivative Financial Instruments		8,090	3,617
Trade Receivables		23,506	24,869
Receivables from Copersucar		9,355	9,355
Taxes Recoverable		65,529	122,200
Income Tax and Social Contribution		29,038	117,442
Judicial Deposits		26,284	28,673
Other Assets		439	439
		351,371	474,233
Investments		32,866	32,552
Property, plant and equipment		5,091,788	5,449,912
Intangible Assets		456,871	470,157
TOTAL LONG-TERM ASSETS		5,932,896	6,426,854
TOTAL ASSETS		9,573,128	9,114,712

BALANCE SHEET (LIABILITIES)

SÃO MARTINHO S.A. CONSOLIDATED- LIABILITIES			
R\$ '000			
LIABILITIES AND SHAREHOLDERS' EQUITY		Sep/18	Mar/18
SHORT-TERM LIABILITIES			
Borrowings		743,870	686,630
Derivative Financial Instruments		71,259	8,862
Trade Payables		269,970	154,146
Payables to Copersucar		8,583	8,583
Salaries and Social Contributions		157,563	137,155
Taxes Payable		34,620	16,877
Income Tax and Social Contribution		6,546	4,167
Dividends Payable		-	148,341
Advances from Customers		12,818	16,406
Aquisition of Investment		11,731	11,746
Other Liabilities		8,769	28,287
TOTAL SHORT-TERM LIABILITIES		1,325,729	1,221,200
LONG-TERM LIABILITIES			
Borrowings		3,639,581	3,238,267
Derivative Financial Instruments		10,181	930
Payables to Copersucar		196,423	201,787
Taxes Payable in Installments		2,465	2,656
Deferred Income Tax and Social Contribution		991,229	1,007,923
Provision for Contingencies		100,481	99,122
Aquisition of Investment		38,510	38,510
Other Liabilities		11,446	14,542
TOTAL LONG-TERM LIABILITIES		4,990,316	4,603,737
SHAREHOLDERS' EQUITY			
Share Capital		1,696,652	1,549,302
Capital Reserve		9,418	9,418
Treasury Shares		(234,100)	(234,100)
Stock options granted		-	11,578
Adjustments to Book Value		963,153	1,120,319
Profit Reserve		682,676	833,258
Retained Earnings		139,284	-
TOTAL SHAREHOLDERS' EQUITY		3,257,083	3,289,775
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		9,573,128	9,114,712

CONSOLIDATED CASH FLOW

SÃO MARTINHO S.A.	6M19	6M18
R\$ '000		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income in the period	162,506	169,888
Adjustments		
Depreciation and amortization	156,464	160,153
Harvested biological assets (depreciation)	232,860	226,459
Variation in fair value of biological assets	412	9,337
Amortization of intangible assets	-	1,105
Amortization of energy contracts	7,345	6,774
Equity Income	255	1,795
Gain (loss) on investment and PPE disposed of	2,879	526
Interest, monetary and foreign exchange variations, net	86,358	57,321
Derivatives Financial Instruments	25,121	10,912
Addition to (reversal of) provision for contingencies, net	6,321	5,601
Deferred income tax and social contribution	50,251	44,097
Adjustments to present value and others	5,527	2,780
	736,299	696,748
Changes in asset and liabilities		
Trade receivables	(59,312)	(44,016)
Inventories	(578,500)	(514,517)
Taxes recoverable	52,709	(5,613)
Derivatives Financial Instruments	19,332	129,411
Other assets	5,241	(1,316)
Trade payables	122,331	126,661
Salaries and social charges	2,556	23,527
Taxes payable	37,342	(15,921)
Obligations with Copersucar	(6,632)	(6,371)
Taxes payable in installments	(206)	(965)
Provision for contingencies - settlements	(9,916)	(13,031)
Other liabilities	(27,291)	(4,780)
	293,953	369,817
Cash provided by operations	293,953	369,817
Interest paid	(92,933)	(121,902)
Income tax and social contribution paid	(2,372)	(3,784)
Net cash provided by operating activities	198,648	244,131
CASH FLOW FROM INVESTING ACTIVITIES		
Financial resources used in investments	(1,584)	(3,792)
Additions to property and intangible assets	(77,810)	(75,233)
Additions to biological assets (planting and crop treatment)	(350,382)	(318,691)
Marketable Securities	262,265	27,033
Proceeds from sale of property, plant and equipment	3,919	3,647
Dividends received	(500)	(1,000)
Net cash used in investing activities	(164,092)	(368,036)
CASH FLOW FROM FINANCING ACTIVITIES		
New borrowing - third parties	1,137,239	1,158,771
Repayment of borrowing - third parties	(934,835)	(749,762)
Payment of dividends	(180,000)	(99,999)
Net cash provided by (used in) financing activities	22,404	309,010
Increase (decrease) in cash and cash equivalents	56,960	185,105
Cash and cash equivalents at the beginning of the period	140,865	142,454
Cash and cash equivalents at the end of the period	197,825	327,559